

**RESOLUTION/ORDER
OF THE BOARD OF COMMISISONERS
OF THE ALLEN COUNTY WATER DISTRICT
AMENDING ACWD TARIFF
AE. WATER MAIN EXTENSIONS, DATED 09/12/2001,
SHEETS NO. 44 AND 45, SUBJECT
TO APPROVAL OF THE
KENTUCKY PUBLIC SERVICE COMMISSION**

There was presented to the meeting a recommendation of Jack Scott Lawless, CPA for the Kentucky Public Service Commission, that the Allen County Water District amend its Tariff regarding Water Main Extensions (original Tariff AE. Water Main Extensions, dated 09/12/2001) to reflect ACWD's current refund method.

Motion by Commissioner Tracy Oliver, seconded by Commissioner Joe Young, to adopt the following Tariff, amending ACWD TARIFF AE. ATER MAIN EXTENSIONS, DATED 09/12/2001, SHEETS NO. 44 AND 45, as amended said Tariff shall read as follows:

**AMENDED TARIFF AE. WATER MAIN EXTENSIONS
(Amending original Tariff AE. Water Main Extension,
dated 09/12/2001; original Sheets No. 44 and 45):**

1. Nothing contained herein shall be construed to prohibit the utility from contracting to make extensions under different arrangements if such arrangements have received the prior approval of the Public Service Commission.

2. Normal extension. An extension of fifty (50) feet or less shall be made by a utility to its existing distribution main without charge for a prospective customer who shall apply for and contract to use service for one (1) year or more.

3. Other extensions.

a) When an extension of the utility's main to serve an applicant or group of applicants amounts to more than fifty (50) feet

per applicant, the utility may require the total cost of the materials only of the excessive footage over fifty (50) feet per applicant/customer to be deposited with the utility by the applicant or the applicants, based on the average estimated cost per foot of the total material cost of the extension.

b) When an extension of the utility's main to serve an applicant or group of applicants amounts to more than fifty (50) feet per applicant, the utility will require the applicant(s) to sign an agreement between the utility and the property owner (applicant/customer) that specifically define the responsibilities of each party with regards to the extension.

c) Each customer who paid for service under such extension will be reimbursed under the following plan:

For a period of five (5) years after construction of the extension, each additional customer whose service line is directly connected to the extension installed, and not to extensions or laterals therefrom will be required to contribute to the cost of materials for the extension, based on a re-computation of the amount contributed by the customer for the cost of material only. The Allen County Water District will bear the entire costs of labor and equipment. The utility will refund to those customers that have previously contributed to the costs of materials for the extension that amount necessary to reduce their contribution to the currently calculated amount for each customer connected to the extension. All customers directly connected to the extension for a five (5) year period after it is placed in service must contribute equally to the cost of materials required for construction of the extension. In addition, each customer must pay the approved tap-on fee applicable at the time of his/her application for the meter connection. The tap-on fee will not be considered part of the refundable cost of the extension and may be changed during the refund period. Each customer must pay the approved tap fee. After the five (5) year refund period expires, any additional customer will be connected to the extension for the amount of the approved tap-on fee only.

4. As has been its policy in the past, the Allen County Water District will continue to bear the total cost of labor and equipment in installing the extension.

5. This amends Allen County Water District's Tariff AE Water Main Extensions, dated September 12, 2001, Tariff Sheets No. 44 and 45.

The recommendation of Jack Scott Lawless, CPA for the Public Service Commission is contained in his letter to the Allen County Water District, dated December 21, 2009, and is as follows:

“Allen has a tariff on file with the KPSC setting out the rules, regulations and tariffs under which it provides water service. The following deficiencies and deviations were noted during Staff’s inspection.

10. Other Extensions: 807 KAR 5:006, Section 11(2)(b), allows a water utility to select one of two methods to make refunds to those customers contributing to the initial cost of the water main extension necessary to serve them. In its tariff Allen elected to make refunds pursuant to section 11(2)(b)2, which requires Allen to make collections and reimbursements so that all customers connecting to an extension within the first five years of operation contribute equally to its cost. After the first five-year refund period expires, Allen required to make refunds for a second five-year period refund period. For each additionally customer connecting to the main during the second five-year refund period, Allen must refund the cost of 50 feet of the main extension equally to all those contributing to the cost of main during the first five-year refund period.

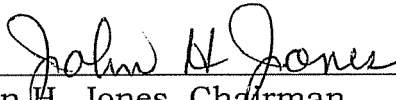
Allen currently is not making refunds in accordance with its tariff. Instead, Allen constructs main extensions using in-house labor while charging the applicants only for the costs of materials. The cost of the materials is initially split equally between all applicants. Subsequent customers connecting to the main are charged a fee that is then refunded equally to all customers already connected to the main so that all connections contribute equally to the cost of the materials. Allen assumes that its labor contribution toward these extensions constitute a contribution of the cost of at least 50 feet for each customer connected to the main extension.

Allen should immediately begin performing line extensions in accordance with the regulations adopted in its tariff or amend it tariff so that the tariff language properly reflects Allen’s current refund method. If Allen chooses to change its refund policy to meet the requirements of its current tariff, Allen should charge the initial applicants for service an amount based on the entire costs of the

construction (including but not limited to in-house labor costs and materials) less the cost of 50 feet per applicant. All collections and refunds made for subsequent connections should also be based on the total cost. To account for these transactions, Allen should debit the total costs of the extension to the UPIS account. The refundable and non-refundable portions of the contributions should be accounted for using accounts AFC and PCC following the same principals discussed in the previous section of this report regarding the accounting for developer refunds. If Allen chooses not to follow its current tariff and instead decides to amend its tariff to reflect its current refund policy. Allen should properly use the aforementioned accounts to account for the transactions. Further, Allen should maintain records demonstrating that it provided at least the total costs of 50 feet for each customer connected to such extension at any time through its labor contribution."

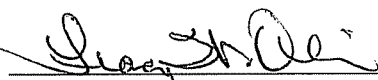
The Motion was put to a vote and there 5 ayes and 0 nays and the Chairman declared the Motion adopted.

This 2nd day of March, 2010



John H. Jones, Chairman
Allen County Water District

Attest:



SECRETARY